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INDUSTRIAL POLICY

*The Coevolution of Public and
Private Sources of Finance for
Important Emerging and Evolving
Technologies*

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Industrial Policy

The Coevolution of Public and Private Sources of Finance for Important Emerging and Evolving Technologies

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Abstract: Dismissing industrial policy because ‘governments cannot pick winners’ is counterproductive. This Element studying selected major innovations illustrates the fact that virtually all major new technologies have been developed by a synergetic cooperation between the public and the private sectors, each doing what it can do best. By examining how research and development (R&D) is financed, rather than where it takes place, the authors show that the role of the public sector is much more pronounced than is often thought. The nature of the cooperation – who does what – varies with the nature of each innovation so that simple, one-size-fits-all rules about what each sector should do are suspect. These results are particularly important because they challenge the scepticism in the United States and elsewhere about the importance of industrial policy, a scepticism that threatens to undermine the long-term and necessary cooperation between the public and private sectors in promoting growth-inducing innovations.

Keywords: industrial policy, coevolution, public finance, picking winners, innovation, technology

JEL classifications: L31, L33, L5, L6, O3

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